



CLAUDINE LYONS
CONSULTING

**COASTAL AND
ESTUARY
FUNDING
PROJECT
DECEMBER
2019**

Background

The New South Wales (NSW) Department of Planning, Industry and Environment (DPIE) commissioned the Coastal and Estuary Funding Project (the Project) to explore improvements to the current funding program. The funding program includes \$9.5 million to support councils develop new Coastal Management Plans (CMPs) and \$63.2 million to support councils to implement actions from their plans from July 2016 to December 2021.

Inputs to the Project included:

- A review of relevant documents;
- Analysis of three years of grant application data;
- Interviews with and feedback from DPIE staff (in the Grants, Economics, Biodiversity and Conservation, Planning and Risk and Policy areas);
- Interviews with five NSW Coastal Council members, nine local councils (six regional, three Sydney-based) and one Sydney-based peak body (listed in Appendix A); and,
- Analysis of 20 local government submissions (listed in Appendix B).

While the council interviews and submissions canvassed some different issues, generally councils raised similar concerns. The report makes 38 recommendations across the following seven areas:

Ease of Access	Funding Ratios
Funding Financing and Cost Benefit Analysis	Significant Open Coastal Hazards
Local Government Partnerships, Capacity and Capability	Intra-Departmental Collaboration
Transition	

The Project focused on making recommendations for improvements and inevitably emphasises change. It also provided an opportunity to understand what was working well. Stakeholder feedback indicated that the application process and reporting requirements are generally fit for purpose, support from regional staff in the application process is appreciated, that the program to date has been promoted well and that the Planning and Significant Coastal Hazard funding streams should remain open all year round.

Transition

This section outlines the implementation context for the new NSW coastal management reforms. While announced in 2016 the legislation did not commence until April 2018. During this time the local government sector in NSW was undergoing significant reform with council amalgamations. This has impacted on progress towards the development and certification of new CMPs which in turn has an impact on the number of councils that are ready and able to apply for funding.

Stakeholder feedback indicated that parties are still in a transition. Councils require more time and guidance to develop their CMPs and an assurance that the funding program will extend beyond the current 2021 end date. In recognition of the delay it is recommended that this 2021 end date be extended by at least two years.

A number of stakeholders wanted the discontinuation of the need for a certified CMP to access funding for implementation projects. However, there is a strong policy rationale for maintaining the certification requirement for accessing implementation funding as it acts as a powerful incentive for local councils to complete new CMPs which are otherwise voluntary. Consequently, it is only recommended that a limited certification exemption for a range of low risk activities be continued during this transition phase.

Ease of Access

Stakeholders raised concerns with the timeframes for the grant application rounds and the notification of successful projects. Timeframes for the implementation funding rounds need to be aligned with local government budget cycles. Councils also seek streamlined and shorter approval processes for applications and contract variations. Stakeholders also sought greater clarity on the types of projects that were eligible for funding particularly in relation to upper catchment areas, the marine estate and amenity projects.

Funding Ratios

The most significant issues for stakeholders were the current 50:50 matched funding ratio and the inability to have in-kind support counted towards council's funding contribution. The Project found mixed views on the development of a new funding formula. There are a range of circumstances that could be considered making the development of a new funding formula a contested and complex space to navigate and administer. A number of councils have justifications to advance their claim on a larger proportion of funds. The final recommendation is to increase the funding ratio to 2:1. This should make the grant program more accessible without the administrative burden for councils or the DPIE related to in-kind support or the challenges of developing a bespoke funding formula.

Funding Financing and Cost Benefit Analysis

There is significant confusion regarding the application of cost benefit analysis (CBA), distributional analysis and the beneficiary pays principle. To date there has been limited experience with these concepts. Consequently, the requirement to undertake a CBA project as part of developing a new CMP should be approached as a significant change management project for the sector requiring proportionate investments in capacity building and training.

CBA can be used to support decision making and its requirement as part of the development of a new CMP should be retained. Currently the boundary analysis for CBA in the coastal and estuary sector are set at the local government administration boundary. While this recognises that the legislation places responsibility on local government for CMPs, it doesn't appreciate the state-wide utilisation and benefits associated with coastal and estuary management. Therefore, it is recommended that DPIE explore the potential to raise the level of boundary analysis with NSW Treasury. It is also recommended that the retrospective requirement to undertake a CBA for projects in a CZMP valued at \$1 million and over be removed.

Significant Open Coastal Hazards

Reducing exposure to coastal hazards such as beach erosion, coastal inundation or cliff instability are priorities for the funding program. As this topic was added to the Project at a later stage, it was not included in the request for council submissions and feedback was limited.

Presently, councils with a certified CMP for locations identified as having these hazards can apply for grant funding at any time of year for hazard mitigation works over \$3 million. These locations have a partial exemption from the beneficiary pays principle as over 50% of the public benefit identified in the distributional analysis will be funded and 10% of the cost of infrastructure that protects private property will be funded. It would be constructive for the DPIE to identify and test other potential scenarios where the beneficiary pays principle would be challenging to implement.

It is recommended that the criteria for identifying Significant Open Coastal Hazards should be reviewed and made available. It is also suggested that the DPIE reconsider the \$3 million threshold as a lower threshold of \$1 million may provide a greater incentive to councils to take a more proactive approach to mitigate coastal hazards in these areas.

The DPIE should also consider more proactive and innovative approaches (potentially outside of the grants process) to working with councils in identified locations to develop projects to mitigate significant coastal hazards. Climate change has the potential to make this even more important into the future.

Local Government Partnerships, Capacity and Capability

Councils want to work more in partnership with the State Government. It may be inevitable that a competitive grants program will experience tension in acting as a partner to local government and in acquitting its role to assess and judge applications. Nonetheless, there are areas where collaboration could be improved without compromising good practice grants administration. For example, stakeholders expressed a desire for more mechanisms to learn from each other's experience, and be partners in, and have access to, scientific research that the DPIE undertook.

Two other key areas that stakeholders raised were the tendering requirements and the need for greater assistance for multi-council CMPs. Currently the funding program requires competitive tenders for grant projects. Feedback from stakeholders supported removing this requirement in recognition that councils had their own policies in place and wanted autonomy to use their own in-house resources to build staff capacity.

The dynamic nature of the state's environmental landscape means that estuaries and coastal zones often impact on a number of local councils. This has been part of the impetus for the creation of collaborative arrangements between councils and other agencies such as the Cooks River Alliance, the Parramatta River Catchment Group and Georges River Keeper. To better support and facilitate the development of multi-council CMPs stakeholders want increased funding support, governance advice and assistance in working with other state government agencies and private land owners. Recommendations to address these issues have been included.



Intra-departmental Collaboration

DPIE undertakes a large and varied program of coastal and estuary activities across NSW. This has resulted in multiple teams working on different and complementary components. Stakeholder feedback has highlighted the need for greater sharing of information and successes between staff and consistent external communications.

In conclusion, this Project has provided valuable feedback on the coastal and estuary funding program. The accompanying recommendations are put forward for the DPIE's consideration, and if accepted, implementation.

Recommendations

Number Recommendation	
Focus Area: Transition	
1.	Extend the timeframe for expending the funding package by at least two years.
2.	Continue to require certification as a pre-requisite for implementation stream funding.
3.	Extend the previous certification exemption for a range of identified low risk actions to December 2021 or to a new CMP transition date if one is approved.
4.	Develop additional and consistent guidance and resources in partnership with stakeholders on what the new CMPs should include.
Focus Area: Ease of Access	
5.	Provide additional clarity and consider increasing the types of projects that are eligible for funding particularly in relation to upper catchment freshwater projects, marine estate management actions that are also included in a certified CZMP/CMP and amenity works.
6.	Open the Implementation funding round/s at a consistent time every year that is aligned to council budgetary cycles so that the local government sector can plan and prepare for them.
7.	Streamline assessment and approval processes to ensure that successful councils are notified before March each year to align with their budget cycle.
8.	Develop more efficient assessment and approval pathways for eligible projects under \$150,000 by adopting a risk-based approach and utilising appropriate delegation protocols.
9.	Continue to identify opportunities to streamline assessment and determination processes to reduce approval timeframes and meet stakeholder expectations as part of a continuous improvement approach.



Number	Recommendation
10.	Provide additional clarity on the assessment process in both the <i>Evaluation Guidelines</i> and the <i>Guidelines for Applicants</i> : <ul style="list-style-type: none">• Detail the consistent number of assessors to be utilised for each planning application;• Outline the roles and responsibilities of departmental staff in the assessment process;• Ensure alignment between the <i>Guidelines for Applicants</i> and the <i>Evaluation Guidelines</i> so that councils have the opportunity to address all evaluation criteria in their application.
11.	Strengthen the approach to managing conflicts of interest by providing explicit reference to the NSW Independent Commission Against Corruption Guidance <i>Managing Conflicts of Interest in the NSW Public Sector</i> (April 2019) in the <i>Evaluation Guidelines</i> and outlining the department's approach.
12.	Allow Councils to notify DPIE of a change in milestones that do not otherwise change the project's end date or total budget rather than seek permission.
13.	Streamline and reduce processing times for variations: <ul style="list-style-type: none">• Work to benchmark appropriate timeframes• Review the current variation data and thresholds for action to identify efficiency improvements.
14.	Streamline reporting for smaller projects in both planning and implementation streams by requiring one milestone report for projects \$50,000 and under, and provide greater clarity around the expectations of milestone reporting for other projects based on their value.
Focus Area: Funding Ratios	
15.	Increase the funding ratio for Coastal and Estuary grants (both planning and implementation streams) to 2:1 as per the DPIE's Floodplain Management Grants.
16.	Provide clarity on how the local government contribution is calculated in relation to multi-council CMPs.
17.	Pilot the feasibility, and test the uptake of allowing councils to use the commencement of the project as a milestone and request a percentage of project funding upfront.
18.	Consider the inclusion of a maximum 10% time and funding contingency in every approved implementation grant application.



Number Recommendation

Focus Area: Funding and Financing Cost Benefit Analysis

19.	Develop a Cost-Benefit Analysis capacity building program including: <ul style="list-style-type: none">• Revised guidance on technical aspects of Cost-Benefit Analysis;• Guidance on Distributional Analysis; and,• Information, lessons learnt and other capacity building and educational activities with local government and the consulting sector on undertaking CBAs for certification.
20.	Explore with NSW Treasury the ability to raise the CBA boundary analysis from the local government administration boundary to the state boundary for the coastal and estuary program so that the net public benefit metric (NPV, BCR) are calculated at the NSW state level.
21.	Provide clarity on the use of the term 'public benefit' used in the grant program when assessing funding applications.
22.	Remove the current retrospective requirement in the funding program for projects \$1 million and over in value in Coastal Zone Management Plans to have a Cost-Benefit Analysis and ensure that the funding program does not have additional Cost-Benefit Analysis requirements over and above the requirement for certifying new CMPs.
23.	Undertake scenario testing for and explore the application of the beneficiary pays principle including but not limited to: <ul style="list-style-type: none">• The capacity of private residential landholders to pay for works with reference to IPART's regulatory framework;• Mechanisms to generate contributions from other state agencies and public bodies (see recommendation 36);• Mechanisms to generate contributions from other beneficiaries including tourists and non-residential private landholders.

Focus Area: Significant Open Coastal Hazards

24.	Review and make public the criteria for the identification of locations having Significant Open Coastal Hazards and the process for locations on the list to be added and others to be removed.
25.	Reconsider the \$3 million threshold for Significant Open Coastal Hazards as a lower threshold may provide a greater incentive for proactive hazard reduction.



Number	Recommendation
26.	Develop and fund a new longer-term proactive approach to SOCH locations providing more intensive departmental support for the development of CMPs working in partnership to identify and address obstacles and jointly develop projects to mitigate known hazards. This should be outside of the grants process to encourage more partnership working between the state and local government sectors.
27.	Continue to incentivise a strategic preventative approach over ad hoc responses to adverse events: <ul style="list-style-type: none">• Continue to only provide emergency funds for councils for SOCH locations;• Differentiate the newly developed process for urgent applications made by councils to retrospectively address active coastal erosion in a SOCH locations from projects proactively developed to mitigate SOCHs;• Continue to require that funded actions are identified within certified CZMPs and CMPs;• Ensure that the newly developed process for urgent applications have a clear threshold for what is considered 'active coastal erosion'; and,• Continue to ensure that projects eligible for national disaster relief funding are not considered by the funding program.
28.	Develop a communications strategy to promote the use of the new Guidance for Preparing a Coastal Zone Emergency Action Sub-Plan within local government.
Focus Area: Local Government Partnerships, Capacity and Capability	
29.	Consider funding data collection, modelling and/or scientific research on a state wide basis if it is required in CMP development to ensure a consistent methodological approach and quality and reduce duplication and develop a communications strategy to promote this to local government where and when it occurs.
30.	Involve local councils in, and inform them of, the Department's relevant science and research activities to support coastal and estuary management.
31.	Build a continuous improvement approach into business as usual activities: <ul style="list-style-type: none">• Hold regular regional workshops engaging councils, other state government agencies and DPIE on coastal and estuary management issues, including sharing lessons learnt from projects.• Create continuous feedback loops with councils on their experience of the funding program, and any changes made as a result of their feedback;• Ensure that gathering local government feedback on the funding program is the responsibility of one area so that local government are not regularly asked for feedback on the same topics from multiple sources.



Number	Recommendation
32.	Acknowledge that local government have their own procurement guidelines. Amend the tendering requirement to 'All procurement activities must be undertaken in a way that complies with the grantee organisation's procurement policies and relevant legislation.'
33.	Increase the funding available for project management costs in multi-council CMP development to 20% where fifteen or more councils are involved.
34.	Consider making non-government organisations that are local government peak bodies developing multi-council CMPs eligible for funding to undertake that coordination.
35.	Develop governance advice to support the establishment of multi-council coalitions including the dissemination of case studies and lessons learnt.
36.	Explore how the DPIE can encourage other state agencies to actively participate in CMP development and contribute to funding actions on their land.
Focus Area: Intra-Departmental Collaboration	
37.	Identify regular and appropriate forums where departmental staff can: <ul style="list-style-type: none">• Share data analysis on the funding programs and the implications of the analysis;• Give feedback on project outcomes;• Provide information on the impact of changes that have been made to the program as a result of this Project; and,• Further collaborate and build respectful professional relationships.
38.	Identify appropriate approval and dissemination mechanisms to ensure state-wide consistency in Departmental messaging regarding the funding program.

Appendix A: List of External Interviewees

Name	Date conducted
1. Council - Eurobodalla Shire (Regional)	27 September 2019
2. Associate Professor William Glamore (NSW Coastal Council)	27 September 2019
3. Council - City of Parramatta (Sydney)	27 September 2019
4. Council - Kempsey Shire (Regional)	2 October 2019
5. Jane Lofthouse (NSW Coastal Council)	2 October 2019
6. Council - Port Macquarie-Hastings (Regional)	3 October 2019
7. Council - Northern Beaches - also provided a formal submission (Sydney)	4 October 2019
8. Council - Tweed Shire (Regional)	8 October 2019
9. Council - Wollongong City - also sent additional comments in email (Regional)	8 October 2019
10. Council - Central Coast (Regional)	9 October 2019
11. Council - Hornsby Shire - also sent additional comments in email (Sydney)	10 October 2019
12. Emeritus Professor Bruce Thom AM, Associate Professor Ron Cox, Angus Gordon OAM (NSW Coastal Council)	11 October 2019
13. Sydney Coastal Councils Group (Sydney based peak body with 9 members)	21 October 2019



Appendix B: List of Local Government Submissions

No	Council	Date Received
1	Bayside Council (Sydney) -also a member of Georges Riverkeeper, Cooks River Alliance and Sydney Coastal Councils	24/9/2019
2	Woollahra Council (Sydney) - also a member of Sydney Coastal Councils	24/9/2019
3	North Sydney Council (Sydney) - also a member of Sydney Coastal Councils	30/9/2019
4	Hunters Hill Council (Sydney)	3/10/2019
5	City of Canada Bay (Sydney)	4/10/2019
6	Sydney Coastal Councils Group Inc - Sydney based peak body with 9 members (was also interviewed)	8/10/2019
7	Shellharbour City Council (Regional)	9/10/2019
8	Blacktown City Council (Sydney)	9/10/2019
9	Coffs Harbour City Council (Regional)	9/10/2019
10	Cooks River Alliance (Sydney based peak body with 4 members)	10/10/2019
11	Shoalhaven City Council (Regional)	10/10/2019
12	Lake Macquarie City Council (Regional)	10/10/2019
13	Georges Riverkeeper/Georges River Combined Councils Committee (Sydney based peak body with 8 members)	10/10/2019
14	Byron Shire Council (Regional)	10/10/2019
15	Waverley Council (Sydney) - also a member of Sydney Coastal Councils	10/10/2019
16	Canterbury Bankstown Council (Sydney) - also a member of Georges Riverkeeper and Cooks River Alliance	10/10/2019
17	Local Government NSW (State-wide Peak Body)	14/10/2019
18	Sutherland Shire Council (Sydney) - also a member of Georges Riverkeeper and Sydney Coastal Councils	15/10/2019
19	Ballina Shire Council (Regional)	15/10/2019
20	Northern Beaches Council - was also interviewed (Sydney) - also a member of Sydney Coastal Councils	18/10/2019

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